

Attachment 5

Response to Question 22

Springtel, Inc. has sufficient financial capacity to provide and maintain its interexchange and local exchange telecommunications services throughout the markets it will serve in Illinois. Springtel also has sufficient financial resources to meet any lease or ownership obligations it may incur. Springtel, Inc. is a new operating company and is related to EOS, Inc. through common ownership. Initially, EOS will be Springtel's largest customer. EOS's contractual commitments to Springtel will be adequate to meet all of Springtel's obligations.

Springtel, Inc. and EOS, Inc. are privately held corporations and the financial information for the corporate entities is not part of any public record. Therefore, Springtel and EOS are providing financial information in a sealed envelope. The financial information includes a balance sheet for Springtel, Inc. and an audited balance sheet and income statement for EOS, Inc. for the period ended December 31, 1999. Springtel respectfully requests that the Illinois Commerce Commission enter an order pursuant to Section 200.430 of the Illinois Administrative Code protecting the confidentiality of this proprietary and sensitive information and that it not be made part of the public record or otherwise be made available for public disclosure.

Springtel, Inc. Balance Sheet

December 11, 2000

Cash	\$50,000.00
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Equity	\$50,000.00
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EOS, INC.

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For the Years Ended December 31, 1999 and 1998

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
EOS, Inc.
Springfield, Illinois

We have audited the accompanying balance sheets of EOS, Inc. as of December 31, 1999 and the related statements of income, stockholders' equity and cash flows for the year then ended. We have also audited the accompanying balance sheet of EOS, Inc. as of December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

Because we were not engaged to audit the statements of income, retained earnings, and cash flows for the year ended December 31, 1998, we did not extend our auditing procedures to enable us to express an opinion on results of operations and cash flows for the year ended December 31, 1998. Accordingly, we express no opinion on them.

In our opinion, the financial statements referred to in the first paragraph presents fairly, in all material respects, the financial position of EOS, Inc. as of December 31, 1999 and 1998 and the results of its operations and its cash flows for the year ended December 31, 1999, in conformity with generally accepted accounting principles.

Sikich Gardner & Co., LLP

Springfield, Illinois
February 14, 2000

FINANCIAL STATEMENTS

EOS, INC.

BALANCE SHEETS

December 31, 1999 and 1998

	1999	1998
ASSETS		
CURRENT ASSETS		
Cash	\$ 10,595	\$ 60,460
Accounts receivable	57,901	38,493
Inventory	32,164	19,214
Total current assets	<u>100,660</u>	<u>118,167</u>
FIXED ASSETS, net	<u>511,511</u>	<u>381,305</u>
OTHER ASSETS		
Goodwill	181,683	44,000
Noncompete agreement	27,500	45,833
Other	100	100
Total other assets	<u>209,283</u>	<u>89,933</u>
TOTAL ASSETS	<u>\$ 821,454</u>	<u>\$ 589,405</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	1999	1998
CURRENT LIABILITIES		
Note payable to bank	\$ 135,000	\$ -
Current portion of long-term debt	25,040	3,820
Accounts payable	58,907	60,529
Payroll taxes payable	1,542	11,876
Deferred revenue	127,360	71,266
Rent deposit payable	-	480
Total current liabilities	<u>347,849</u>	<u>147,971</u>
LONG-TERM DEBT, less current portion	<u>184,388</u>	<u>202,074</u>
STOCKHOLDERS' EQUITY		
Common stock; no par value; 1,000 shares authorized; 200 shares issued and outstanding	120	120
Additional paid-in capital	16,780	16,780
Retained earnings	272,317	222,460
Total stockholders' equity	<u>289,217</u>	<u>239,360</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 821,454</u>	<u>\$ 589,405</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

EOS, INC.

STATEMENTS OF INCOME

For the Years Ended December 31, 1999 and 1998

	1999	1998 (Unaudited)
SALES - Equipment and software	\$ 156,160	\$ 332,753
COST OF GOODS SOLD	<u>114,929</u>	<u>272,275</u>
GROSS PROFIT	41,231	60,478
INTERNET SERVICE REVENUES	<u>1,394,067</u>	<u>989,164</u>
TOTAL GROSS PROFIT AND INTERNET SERVICE REVENUES	<u>1,435,298</u>	<u>1,049,642</u>
EXPENSES		
Advertising	75,161	67,865
Amortization	36,650	10,167
Bad debt	7,246	1,042
Bank service charges	13,300	9,134
Depreciation	110,257	52,832
Insurance	11,797	8,244
Internet	90,833	22,789
Miscellaneous	15,097	5,629
Office	26,624	25,009
Payroll	357,251	224,143
Payroll taxes	31,044	17,991
Pension	44,568	43,012
Professional fees	12,635	18,042
Repairs	5,380	4,287
Rent	20,619	15,094
Taxes	14,584	8,975
Telephone	336,111	178,433
Travel and entertainment	14,775	12,051
Utilities	<u>5,274</u>	<u>3,393</u>
Total expenses	<u>1,229,206</u>	<u>728,132</u>
INCOME FROM OPERATIONS	<u>206,092</u>	<u>321,510</u>
OTHER INCOME (EXPENSE)		
Interest income	1,126	1,300
Interest expense	(22,377)	(12,435)
Rents	480	5,430
Other income	<u>1,536</u>	<u>403</u>
Total other income (expense)	<u>(19,235)</u>	<u>(5,302)</u>
NET INCOME	<u>\$ 186,857</u>	<u>\$ 316,208</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

EOS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1999 and 1998

	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings</u>
BALANCE, JANUARY 1, 1998 (UNAUDITED)	\$ 120	\$ 16,780	\$ 101,252
Dividends	-	-	(195,000)
Net income	<u>-</u>	<u>-</u>	<u>316,208</u>
BALANCE, DECEMBER 31, 1998	120	16,780	222,460
Dividends	-	-	(137,000)
Net income	<u>-</u>	<u>-</u>	<u>186,857</u>
BALANCE, DECEMBER 31, 1999	<u>\$ 120</u>	<u>\$ 16,780</u>	<u>\$ 272,317</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

EOS, INC.

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u> (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 186,857	\$ 316,208
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	110,257	52,832
Amortization	36,650	10,167
(Increase) decrease in:		
Accounts receivable	(19,408)	(31,765)
Inventory	(12,950)	(6,324)
Increase (decrease) in:		
Accounts payable	(1,622)	55,663
Payroll taxes payable	(10,334)	7,905
Deferred revenue	56,094	71,266
Rent deposit payable	(480)	480
Net cash from operating activities	<u>345,064</u>	<u>476,432</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other assets	(156,000)	(55,000)
Purchase of fixed assets	<u>(240,463)</u>	<u>(188,457)</u>
Net cash from investing activities	<u>(396,463)</u>	<u>(243,457)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	155,878	-
Payments on long-term debt	(17,344)	(22,339)
Dividends paid	<u>(137,000)</u>	<u>(195,000)</u>
Net cash from financing activities	<u>1,534</u>	<u>(217,339)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,865)	15,636
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>60,460</u>	<u>44,824</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,595</u>	<u>\$ 60,460</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

EOS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

EOS, Inc., an S Corporation, is engaged in the providing internet access and computer consulting services. The majority of the Company's revenue consists off internet access fees charged to individuals located in the central Illinois area. The Company's financial statements are presented in accordance with generally accepted accounting principles.

(b) Inventories

Inventories are stated at the lower of cost or market determined by specific identification.

(c) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed over the estimated useful lives of the assets using accelerated methods. The useful lives are five years for equipment, fifteen years for building repairs, and thirty-nine years for buildings.

(d) Other Assets

Goodwill relates to internet service providers acquired and is being amortized over fifteen years. Noncompete agreements are being amortized over the life of the noncompete agreement.

(e) Revenue Recognition

The Company sells internet access for advance payments. Amounts received in advance for internet service are recorded as deferred revenue when billed and are recognized as earned each month.

(f) Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents".

EOS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) Income Taxes

The Company has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate income taxes, the shareholders are taxed on the Company's taxable income; therefore, the financial statements do not include a provision for income taxes.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. FIXED ASSETS

Fixed assets consists of the following:

	<u>1999</u>	<u>1998</u>
Equipment	\$ 495,334	\$ 266,457
Building	180,000	180,000
Building equipment	25,180	22,793
Land	5,000	5,000
Software	18,342	9,142
Less accumulated depreciation	(212,345)	(102,087)
Net equipment	<u>\$ 511,511</u>	<u>\$ 381,305</u>

3. NOTE PAYABLE TO BANK

The Company has a \$150,000 line of credit with Carrollton Bank that matures on April 27, 2000. The line of credit promissory note bears interest at the highest published Prime Rate in the Wall Street Journal, and is secured by the personal guarantees of two stockholders. At December 31, 1999, \$135,000 was outstanding on the note.

EOS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

4. LONG-TERM DEBT

Long-term debt at December 31, 1999 and 1998 consists of the following:

	1999	1998
Notes payable, secured by building (a)	\$ 158,809	\$ 162,630
Note payable, secured by receivables (b)	29,741	43,264
Note payable, unsecured (c)	20,878	-
Total	209,428	205,894
Less current maturities	(25,040)	(3,820)
Long-term debt, net	<u>\$ 184,388</u>	<u>\$ 202,074</u>

- a) Notes payable, secured by building, consists of two notes. The first note has monthly payments of \$736, including interest at 9.25%. The second note has monthly payments of \$733, including interest at 8%. Both notes have a seven year balloon payment due April 1, 2005.
- b) Note payable, secured by receivables, with interest only payments at 10% paid quarterly until August 31, 2001 when balance is due in cash or, at EOS, Inc.'s option, in common stock at a rate of 1 share for each \$15,000 remaining unpaid with fractional shares paid in cash.
- c) Note payable to an individual due June 15, 2000, with interest paid monthly at a rate of 10% per annum.

The schedule of principal payments on long-term debt is as follows:

<u>Year Ending December 31,</u>	
2000	\$ 25,040
2001	34,277
2002	4,942
2003	5,387
2004	5,869
Thereafter	<u>133,913</u>
Total	<u>\$ 209,428</u>

EOS, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

5. OPERATING LEASES

The Company leases office space and equipment space from various vendors. The future minimum lease commitments are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2000	\$ 21,978
2001	12,166
2002	7,167
2003	410
	<u>\$ 41,721</u>

6. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the years ended December 31, 1999 and 1998 for interest amounted to \$22,377 and \$12,435, respectively.

During 1998, the Company had noncash financing transactions relating to the acquisition of a building in the amount of \$165,000 and for the purchase of goodwill and noncompete agreements in the amount of \$45,000.

7. PENSION AND PROFIT SHARING PLANS

The Company has a non-contributory, trustee profit-sharing plan. All full-time employees employed for six months continuous service over twenty years old are eligible for participation in the plan. The Company's contribution to the plan is discretionary and is determined by the Company's shareholders. Contributions to the plan are allocated among eligible participants based on compensation. The Company contributed \$14,856 and \$23,896 to the plan for the years ended December 31, 1999 and 1998, respectively.

The Company also has a defined contribution pension plan. All full-time employees employed for six months continuous service over twenty years old are eligible for participation in the plan. The Company is required to contribute 10% of an individual's compensation to the plan. The Company contributed \$29,712 and \$19,116 to the plan for the years ended December 31, 1999 and 1998, respectively.